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STATE FOR EB/ESC/TFS YORKS, EUR/PGI REASOR, EUR/UBI ROY,
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E.O. 12958: DECL: 08/13/2016
TAGS: [ETTC](#) [KTFN](#) [PTER](#) [PREL](#) [EU](#) [UK](#)
SUBJECT: TERRORISM FINANCE: UK REVIEW OF TERRORIST ABUSE OF
CHARITIES

REF: 8/16 HAAS EMAIL

Classified By: Economic Counselor Sandra Clark for reasons 1.5 (b) and
(d)

11. (U) This is an action request. Please see paragraph 7.

12. (C) Summary. The Home Office and Her Majesty's Treasury are conducting an in-depth review of the UK's regulatory and law enforcement structure for combating terrorist financing in the charity sector. Home Office officials are deeply critical of the Charity Commission's ability to combat terrorism finance, citing the inexperience of their staff, complications in sharing intelligence with them, and their overall naivete. Home Office officials have developed dozens of possible recommendations for better regulation of the UK charity sector. Officials from the Home Office and HMT would like to arrange for an early September visit to Washington to learn from our experiences. They would also appreciate any information we can provide regarding the scale of the threat from charities involved in terrorism finance. End Summary.

13. (SBU) The UK is currently undertaking a detailed review of terrorist abuse of charities. The review, which is being led by the Home Office and Her Majesty's Treasury, is designed to identify and remove current vulnerabilities in the charity sector to terrorist financing, and to build better ties between the various UK agencies involved in the identification and investigation of charities linked to terrorist financing. Home Office officials intend to present a series of policy recommendations to both the Chancellor and the Home Secretary before October 31 (see ref for the terms of reference and project concept note of the review).

14. (C) According to the Home Office's Stuart Young, one of the lead drafters of the review, a primary focus of the final report will be the profound shortcomings of the Charity Commission. Young described the Charity Commission as a naive organization "completely out of its depth" and beholden "to those it regulates rather than to the UK government." Specifically, he noted that, while the Charity Commission is authorized to use intelligence to aid in the regulation of the sector, no one at the Commission has bothered to go through the security clearance process. He added that none of their investigators has any financial investigatory skills, and said that, even if the Charity Commission suspects that a charity is involved in terrorist funding, they will have "already trampled the crime scene" by the time they report it to law enforcement officials for further investigation. Stuart said that the review would strongly recommend that efforts be undertaken to ensure that the

Charity Commission is staffed with appropriately trained individuals, and that they are more completely integrated into HMG's overall terrorism finance objectives. He added that, while a member of the UK's Terror Finance Action Group, the Charity Commission has not attended any meetings in the past six months.

15. (C) While primarily critical of the Charity Commission, Young said that there were many other recommendations that would be put forward to ensure that the overall regulatory environment in the UK is "fit for purpose." He added that part of the review will include looking at funding provided by the Foreign Office to promote charity regulation internationally, and particularly in the Gulf.

16. (U) Young said that he would be interested in traveling to Washington with colleagues from HMT in early September in order to learn more about the U.S. model for charity regulation. He also said that he would be particularly interested in learning more about U.S. perceptions on the scale of the threat of the use of charities for terrorist finance.

17. (C) Action Request and recommendation: Embassy would appreciate guidance regarding whether Washington agencies would be willing to meet with UK officials in early September regarding our approach to combating terrorism finance in the charitable sector. Embassy recommends that we take this opportunity to help the UK shore up this weakness in their counter-terrorism finance structure.

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